AR 35

PYX EXPLORATIONS LTD.

1979

ANNUAL REPORT

PYX EXPLORATIONS LTD.

OFFICERS:

J.C. BYRNE
President

D.R. CROMBIE
Vice President

W. STEUERMAN
Secretary-Treasurer

DIRECTORS:

J.C. BYRNE

R.H. BYRNE

D.R. CROMBIE

G.E. O'SHAUGHNESSY

W. STEUERMAN

HEAD OFFICE:

Suite 1011, 2200 Yonge Street, Toronto, Ontario M4S 2C6

AUDITORS:

COOPERS & LYBRAND, Toronto

BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE, 2259 Yonge Street, Toronto

SOLICITORS:

CAMPBELL, GODFREY & LEWTAS, Toronto

REGISTRAR AND TRANSFER AGENT:

CROWN TRUST COMPANY, Toronto

ANNUAL AND GENERAL MEETING:

June 6, 1980, 11:00 a.m., British Columbia Room,
Royal York Hotel, 100 Front Street West, Toronto

AR35

PYX EXPLORATIONS LTD.
Suite 1011
2200 Yonge Street
Toronto, Ontario
M4S 2C6

Notice of Annual and General Meeting

NOTICE is hereby given that the Annual and a General Meeting of shareholders of Pyx Explorations Ltd. (the "Corporation") will be held in the British Columbia Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Friday, June 6, 1980 at 11:00 o'clock in the forenoon for the purpose of:

1. receiving the Annual Report of the Corporation and the financial statements for the seventeen months ended December 31, 1979 and the auditors' report thereon;

2. electing directors;

3. appointing auditors and authorizing the directors to fix their remuneration;

4. considering and, if thought fit, confirming, with or without variation, a special resolution passed by the directors of the Corporation approving an amalgamation agreement dated May 2, 1980 providing for the amalgamation of the Corporation, Amagami Mines Limited and Norita Quebec Mines Limited; and

5. transacting such other business as may properly come before the meeting.

If you are not able to attend the meeting, would you kindly complete, sign and return in the self-addressed envelope enclosed for that purpose the enclosed Form of Proxy.

DATED at Toronto this 6th day of May, 1980.

By Order of the Board

W. STEUERMAN

Secretary

PYX EXPLORATIONS LTD.
Suite 1011
2200 Yonge Street
Toronto, Ontario
M4S 2C6

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with solicitation by the management of Pyx Explorations Ltd. (the "Corporation") of proxies to be used at the Annual and a General meeting of shareholders of the Corporation to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers of the Corporation. **A shareholder desiring to appoint some other person to attend, act and vote for him and on his behalf at the meeting may do so,** either by inserting the name of such person (who need not be a shareholder) in the blank space provided in the form of proxy and striking out the names of the two specified persons or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Corporation.

REVOCABILITY OF PROXY

The shareholder executing the accompanying proxy instrument has the power to revoke it at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a body corporate, under its corporate seal or by any officer or attorney thereof duly authorized, and deposited either at the head office of the corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On May 6, 1980 the Corporation had issued and outstanding 3,077,551 shares without par value, each carrying the right to one vote per share. As of such

day none of the directors and senior officers of the Corporation knows of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Corporation, except as follows:

Owner	Shares	Percentage
Rayrock Resources Limited 2200 Yonge Street Toronto, Ontario	841,787	27.4

Shareholders of record at the time of the meeting will be entitled to vote at the meeting.

ELECTION OF DIRECTORS

The Board presently consists of five directors to be elected annually. Proxies appointing management nominees will be voted to elect as directors of the Corporation the following proposed nominees (or for substitute nominees in the event of contingencies not known at present) who will, subject to the by-laws of the Corporation and to applicable laws, serve until the next annual meeting of shareholders or until their successors are elected or appointed.

The following table and notes thereto state the names of the persons proposed to be nominated for election as directors, all other positions and offices with the Corporation now held by them, their principal occupations or employment, the year in which they became directors of the Corporation and the approximate number of shares of each class of the Corporation beneficially owned, directly or indirectly, by each of them as of May 6, 1980:

Name	Offices Held with the Corporation and Principal Occupation	Director Since	Shares Owned Beneficially
*J.C. Byrne	President and Chief Executive Officer of the Corporation and Chairman and Chief Executive Officer of Rayrock Resources Limited and other mining companies	1976	15,010
*R.H. Byrne	Field Engineer for Rayrock Resources Limited	1976	2,053
D.R. Crombie	Vice President of the Corporation and President and Operations Manager Rayrock Resources Limited	1976	10,000
*G.E. O'Shaughnessy	Executive Assistant Rayrock Resources Limited	1978	552

W. Steuerman	Chartered Accountant, Secretary-Treasurer of the Corporation and of Rayrock Resources Limited	1977	9,000

*Member of audit committee

The information as to shares beneficially owned, not being within the knowledge of the Management, has been furnished by each respective nominee.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration was directly paid or is payable by the Corporation to its directors or senior officers with respect to the seventeen months ended December 31, 1979. Rayrock Resources Limited pays substantially all the remuneration of directors and senior officers of the corporation and of certain associated corporations and is reimbursed by these corporations (including the Corporation) for their proportionate share thereof.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

The amount of indebtedness by directors and senior officers was as follows:

(a)	Largest aggregate amount outstanding at any time during the seventeen months ended December 31, 1979	$30,000
(b)	Nature of indebtedness: Stock purchase plan	
(c)	Balance outstanding as at May 6, 1980	$25,000
(d)	Rate of interest	NIL

AMALGAMATION

The Directors of the Corporation have duly passed a special resolution as follows:

> RESOLVED as a Special Resolution of Pyx Explorations Ltd. (herein called the "Corporation") that the entering into and adoption of the Amalgamation Agreement dated May 2, 1980 providing for the amalgamation of the Corporation with Amagami Mines Limited and Norita Quebec Mines Limited pursuant to the provisions of The Business Corporations Act be and the same is hereby authorized and approved.

A copy of the Amalgamation Agreement follows and forms part of this Information Circular.

To become effective the special resolution must be confirmed, with or without variation, by at least two-thirds of the votes cast at the meeting.

The Corporation owns directly 54% of the outstanding shares of Norita Quebec Mines Limited ("Norita"). Under an agreement with Noranda Mines Limited ("Noranda") dated December 28, 1972 and amended April 28, 1980 Norita is entitled to receive

(a) a royalty of 25 cents per ton of ore mined from the Norita mine and subsequently milled up until it has received $500,000 (it has already received ($324,922.25);

(b) a royalty of one dollar per ton of ore mined from the Norita mine and subsequently milled after December 31, 1979 in excess of 3,500,000 tons; and

(c) $4,800,000 payable as to $400,000 in July 1980, as to $1,000,000 in January of each of 1981, 1982 and 1983 and as to the balance of $1,400,000 in January 1984.

All of these payments would be fully taxable in Norita's hands and it has been estimated that the present after-tax value of these payments would be approximately $2,000,000.

Based upon this valuation, the Corporation earlier this year acquired 61% of the outstanding shares of Amagami Mines Limited ("Amagami") for cash payments aggregating $385,137. Amagami in turn owns 31% of the outstanding Norita shares. Rayrock Resources Limited owns the remaining 15% of the outstanding Norita shares.

The Corporation in participation with others is engaged in substantial programs of exploring for and developing petroleum and natural gas properties in Western Canada. Management believes these programs should be expanded. To date these programs have been financed through sales of shares of the Corporation. The payments which will be received by Norita from Noranda are fully taxable but Norita has no sizeable programs which will "shelter" these payments from tax. The amalgamation of the Corporation with Norita and Amagami will not only enable the Corporation to use "tax dollars" in financing its programs but will convert the "economic" price paid for the Amagami shares into a highly advantageous price as the price paid was based upon the anticipated cash flow from the Norita mine <u>after tax</u>.

Norita has no substantial asset other than the benefit of its agreement with Noranda and Amagami has no substantial asset other than its shareholding in Norita. An unaudited balance sheet as of December 31, 1979 of each of Norita and Amagami follows and forms part of this Information Circular. The balance sheet of the Corporation as of the same date is included in the Annual Report of the Corporation which accompanies this Information Circular.

The shareholders of both Norita and Amagami have already unanimously approved of the Amalgamation Agreement. If the amalgamation is approved by shareholders of the Corporation, then it is contemplated that it will become effective on June 30, 1980. When it becomes effective, the issued capital of the Corporation will be increased from 3,077,551 shares to 3,822,555 shares.

As noted above, the principal asset of the Corporation is its shareholding in Norita and the only asset of Amagami is its shareholding in Norita. In arriving at the number of shares of the Amalgamated Corporation to be distributed to the shareholders of Norita and Amagami other than the Corporation the assets of the Corporation other than its shareholding in Norita have been given an appropriate value and in the case of its mining properties near the Norita mine the valuation has been set at the aggregate amount of the actual expenditures made by the Corporation on these mining properties.

On the amalgamation, the Directors of the Corporation will become Directors of the Amalgamated Corporation; the by-laws of the Corporation will become the by-laws of the Amalgamated Corporation and it is proposed that the present auditors of the Corporation, namely Messrs. Coopers & Lybrand, will become the auditors of the Amalgamated Corporation. The Amalgamated Corporation will have the same name as the Corporation.

The authorized capital of the Corporation consists of 5,000,000 shares without par value. To enable the Amalgamated Corporation the utmost flexibility if it requires further capital the Amalgamation Agreement authorizes two classes of preferred shares, each class to be issuable in series as well as 6,000,000 common shares without par value. Management has no present plan to issue either preferred shares or further common shares.

Messrs. Campbell, Godfrey & Lewtas, barristers and solicitors, have advised that the proposed amalgamation will not result in any liability to income tax under the Income Tax Act of Canada and that the adjusted cost base of each Canadian shareholder of each of the amalgamating corporations with respect to the shares owned by him will, upon the amalgamation, become the adjusted cost base of the shares of the Amalgamated Corporation owned by him.

If the amalgamation is effected, no exchange of share certificates will be necessary.

OTHER BUSINESS

The management knows of no matters to come before the Annual and General Meeting other than the matters referred to in the Notice of Meeting. IF ANY OTHER MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING OR IF THERE IS ANY AMENDMENT OR VARIANCE TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING, THE ACCOMPANYING PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON VOTING THE PROXY, WHICH PROXY CONFERS SUCH DISCRETIONARY AUTHORITY. All shares will be voted and will be voted in accordance with instructions given unless, under The Business Corporations Act of Ontario, a ballot is unnecessary.

DATED as of May 6, 1980.

AMAGAMI MINES LIMITED

UNAUDITED BALANCE SHEET AS AT DECEMBER 31, 1979

	1979
ASSETS	
Current	
Cash	$ 857
Investment in Norita Quebec Mines Limited	95,279
	$ 96,136
LIABILITIES	
Current	
Accounts payable	$ 271
SHAREHOLDERS' EQUITY	
Capital stock	
Authorized 3,000,000 shares with a par value of $1 each	
Issued 960,005 shares	96,005
Deficit	140
	95,865
	$ 96,136

NORITA QUEBEC MINES LIMITED

UNAUDITED BALANCE SHEET AT DECEMBER 31, 1979

ASSETS		1979
Current		
Cash at bank		$ 417
Accounts receivable	- General	3,250
	- Noranda Mines Limited	222,339
		226,006
Oil and gas properties		
Petroleum and natural gas leases - at cost		94,089
Well equipment - at cost less accumulated depreciation of $221		515
		94,604
		320,610
LIABILITIES		
Current		
Accounts payable		1,000
Deferred taxes		83,820
SHAREHOLDERS' EQUITY		
Capital		
Authorized 5,000,000 shares without par value		
Issued 1,269,672 shares		546,316
Deficit		310,526
		235,790
		$ 320,610

AMALGAMATION AGREEMENT

THIS AGREEMENT made the 2nd day of May, 1980 AMONG **PYX EXPLORATIONS LTD.** (hereinafter called "Pyx"), **AMAGAMI MINES LIMITED** (hereinafter called "Amagami") AND **NORITA QUEBEC MINES LIMITED** (hereinafter called "Norita").

WHEREAS under the authority conferred by The Business Corporations Act of Ontario the parties hereto desire and have agreed to amalgamate upon the terms and conditions hereinafter set out and to continue as one corporation.

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. **Interpretation**

For the purposes of this agreement:

(a) "Amalgamation" shall mean the amalgamation of the amalgamating corporations as contemplated by this agreement;

(b) "Amalgamated Corporation" shall mean the corporation continuing from the amalgamation of Pyx, Amagami and Norita;

(c) "Act" shall mean The Business Corporations Act of Ontario, and

(d) "Minister" shall mean the Minister of Consumer and Commercial Relations.

2. **Representations and Warranties**

(1) Pyx represents and warrants to and agrees with each of Amagami and Norita that:

(a) it was formed on July 30, 1976 by the amalgamation under sections 196 and 197 of the Act of Radiore Uranium Mines Limited, Rockdale Mines Limited and Crestland Mines Limited, and

(b) it has an authorized capital consisting of 5,000,000 shares without par value, of which 3,077,551 shares have been issued and are outstanding as fully paid and non-assessable shares.

(2) Amagami represents and warrants to and agrees with each of Pyx and Norita that:

(a) it was incorporated pursuant to the provisions of The Corporations Act, 1953 of Ontario by Letters Patent dated April 4, 1960;

(b) it has an authorized capital of $3,000,000 divided into 3,000,000 shares with a par value of $1 each, of which 960,005 shares have been issued and are outstanding as fully paid and non-assessable shares, and

(c) of the 960,005 issued and outstanding shares, 584,589 shares are registered in the name of Pyx 106,666 shares are registered in the name of Ranworth Exploration Limited, 68,750 shares are registered in the name of Iso Mines Limited and the remaining 200,000 shares are registered in the name of Teck Corporation Limited.

(3) Norita represents and warrants to and agrees with each of Pyx and Amagami that:

(a) it was incorporated pursuant to The Corporations Act of Ontario by Letters Patent dated June 3, 1966;

(b) it has an authorized capital consisting of 5,000,000 shares without par value, of which 1,279,672 shares have been issued and are outstanding as fully paid and non-assessable shares, and

(c) of the 1,279,672 issued and outstanding shares, 691,124 shares are registered in the name of Pyx, 188,358 are registered in the name of Rayrock Resources Limited and 400,190 are registered in the name of Amagami.

(4) Each party hereto represents and warrants to and agrees with each of the others that it has made full and complete disclosure to each of such others of all its known assets and liabilities.

3. **Agreement to Amalgamate**

Pyx, Amagami and Norita hereby agree to amalgamate under the provisions of sections 196 and 197 of the Act and to continue as one corporation upon the terms and conditions hereinafter set out.

4. **Name**

The name of the Amalgamated Corporation shall be Pyx Explorations Ltd. or such other name designated by Pyx as may be acceptable to the Minister.

5. **Objects**

The objects of the Amalgamated Corporation shall be as follows:

(a) To acquire, own, lease, prospect for, open, explore, survey, develop, work, improve, maintain and manage, either for its own account or others, mines, petroleum and natural gas wells, permits, concessions, reservations and lands believed to contain or to be capable of containing and producing minerals, petroleum and natural gas, and, either for its own account or others, to drill for, search for, win, get, pump, assay, refine, distill, analyze, manufacture, treat and prepare for market, store, transport, pipe, sell, buy, exchange and

otherwise deal in minerals, petroleum and natural gas and the components and by-products thereof;

(b) In connection with the business aforesaid:

(i) to manufacture, buy, sell, import and export and otherwise deal in goods, wares and merchandise, and

(ii) to act as general contractors and builders, and

(c) To acquire by purchase or otherwise to own and control lands for use in connection with the business of the Amalgamated Corporation and to sell, lease and mortgage and otherwise dispose of the same.

6. **Authorized Capital**

The authorized capital of the Amalgamated Corporation shall consist of Five Million (5,000,000) First Preferred Shares without par value issuable in series, One Million (1,000,000) Second Preferred Shares without par value issuable in series and Six Million (6,000,000) Common Shares without par value.

(a) **Directors' Right to Issue First Preferred Shares in One or More Series**

The Directors of the Corporation may at any time and from time to time issue First Preferred Shares in one or more series, each series (a) being entitled to dividends at such rate or rates, in such amount or amounts, determined in such manner and with such dates of payment; (b) being redeemable (if at all) at such time or times, at such price or prices and on such terms and conditions; (c) being entitled to sinking or other retirement fund or funds (if any); (d) being subject to such purchase provision (if any) by the Corporation; (e) having such designation; (f) having such voting rights (if any); (g) having such conversion rights (if any), and (h) having such other preferences, rights, conditions, restrictions, limitations and prohibitions attaching thereto, all as shall be determined by resolution of the Directors passed prior to the issue thereof but:

(i) First Preferred Shares of each series shall carry the same designation, preferences, rights, conditions, restrictions, limitations and prohibitions;

(ii) No First Preferred Shares of any series shall be issued before the issue of a certificate of filing setting forth the designation, preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the First Preferred Shares of such series and all First Preferred Shares of every series shall have attached thereto provisions as follows:

Dividend and Distribution Preference with respect to First Preferred Shares

The First Preferred Shares shall be entitled to preference over the Second Preferred Shares and Common Shares and over any other shares in the capital of the Corporation ranking junior to the First Preferred Shares with respect to any payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Parity of Each Series of First Preferred Shares as to Dividends and Distribution

First Preferred Shares of each series shall rank on a parity with the First Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs and when any fixed cumulative dividends or amounts payable on a repayment of capital are not paid in full the First Preferred Shares of all series shall participate rateably in respect of such dividends including accumulations (if any) in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full and on any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full.

Amendment with Approval of Holders of First Preferred Shares

The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to First Preferred Shares as a class may be repealed, altered, modified, amended or amplified but only with the approval of the holders of First Preferred Shares given as hereinafter specified.

Any amendment to the articles of the Corporation to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to First Preferred Shares or to create preferred shares ranking in priority to or on a parity with First Preferred Shares, in addition to the authorization by a special resolution, may be authorized by at least 66 2/3% of the votes cast at a meeting of the holders of First Preferred Shares duly called for that purpose.

Subject to the foregoing, the formalities to be observed in respect of the giving or waiving of notice of any such meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders.

(b) Directors' Rights to Issue Second Preferred Shares in One or More Series

The Directors of the Corporation may at any time and from time to time issue Second Preferred Shares in one or more series, each series (a) being entitled to dividends at such rate or rates, in such amunt or amounts, determined in such manner and with such dates of payment; (b) being redeemable (if at all) at such time or times, at such price or prices and on such terms and conditions; (c) being entitled to sinking or other retirement fund or funds (if any); (d) being subject to such purchase provision (if any) by the Corporation; (e) having such designation; (f) having such voting rights (if any); (g) having such conversion rights (if any), and (h) having such other preferences, rights, conditions, restrictions, limitations and prohibitions attaching thereto, all as shall be determined by resolution of the Directors passed prior to the issue thereof but:

(i) Second Preferred Shares of each series shall carry the same designation, preferences, rights, conditions, restrictions, limitations and prohibitions;

(ii) no Second Preferred Shares of any series shall be issued before the issue of a certificate of filing setting forth the designation, preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Second Preferred Shares of such series and all Second Preferred Shares of every series shall have attached thereto provisions as follows:

Dividend and Distribution Preference with respect to Second Preferred Shares

The Second Preferred Shares shall be subject to the prior preferences, rights and conditions attaching to the First Preferred Shares but entitled to preference over the Common Shares and over any other shares in the capital of the Corporation ranking junior to the Second Preferred Shares with respect to the payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Parity of Each Series of Second Preferred Shares as to Dividends and Distribution

Second Preferred Shares of each series shall rank on a parity with Second Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs and when any fixed cumulative dividends

or amounts payable on a repayment of capital are not paid in full the Second Preferred Shares of all series shall participate rateably in respect of such dividends including accumulations (if any) in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full and on any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full.

Amendment with Approval of Holders of Second Preferred Shares

The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Second Preferred Shares as a class may be repealed, altered, modified, amended or amplified but only with the approval of the holders of Second Preferred Shares as hereinafter specified.

Any amendment to the articles of the Corporation to delete or vary any preference, right, condition, restriction, limitation, or prohibition attaching to Second Preferred Shares or to create preferred shares ranking in priority to or on a parity with Second Preferred Sharess, in addition to the authorization by a special resolution, may be authorized by at least 66 2/3% of the votes cast at a meeting of the holders of Second Preferred Sharees duly called for that purpose.

Subject to the foregoing, the formalities to be observed in respect of the giving or waiving of notice of any such meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders.

7. **Division of Shares of Amalgamated Corporation**

The issue and outstanding shares of each of the parties hereto shall be converted into issued and outstanding shares of the Amalgamated Corporation on the following basis:

(a) Each of the 3,077,551 issued and outtanding shares of Pyx shall be converted into one fully paid and non-assessable issued and outstanding common share without par value of the Amalgamated Corporation;

(b) The 691,124 shares or Norita registered in the name of Pyx and the 400,190 shares of Norita registered in the name of Amagami shall be cancelled upon the Amalgamation becoming effective without any repayment of capital in respect thereof and without any conversion of the said shares into shares of the Amalgamated Corporation;

(c) The remaining 188,358 issued and outstanding shares of Norita registered in the name of Rayrock Resources Limited shall be converted into 406,805 fully paid and non-assessable common shares without par value of the Amalgamated Corporation;

(d) The 584,589 shares of Amagami registered in the name of Pyx shall be cancelled upon the Amalgamation becoming effective without any repayment of capital in respect thereof and without any conversion of the said shares into shares of the Amalgamated Corporation;

(e) The 106,666 issued and outstanding shares of Amagami registered in the name of Ranworth Exploration Limited shall be converted into 96,097 fully paid and non-assessable common shares without par value of the Amalgamated Corporation;

(f) The 68,750 issued and outstanding shares of Amagami registered in the name of Iso Mines Limited shall be converted into 61,931 fully paid and non-assessable common shares without par value of the Amalgamated Corporation; and

(g) The 200,000 issued and outstanding shares of Amagami registered in the name of Teck Corporation Limited shall be converted into 180,171 fully paid and non-assessable common shares without par value of the Amalgamated Corporation.

8. **Head Office**

The head office of the Amalgamated Corporation shall be in the municipality of Metropolitan Toronto in the judicial district of York, Province of Ontario, and the location of its head office within the said municipality shall be Suite 1101, 2200 Yonge Street, Toronto, Ontario.

9. **By-laws**

The by-laws of the Amalgamated Corporation shall be the by-laws of Pyx.

10. **Authority to Purchase Common Shares**

Subject to the provisions of the Act, the Amalgamated Corporation may purchase any of its issued common shares.

11. **Place of Shareholders' Meetings**

Meetings of the Shareholders of the Amalgamated Corporation may be held at any place within Ontario.

12. **Initial Board of Directors**

The Board of Directors of the Amalgamated Corporation, until otherwise determined by Special Resolution, shall consist of five Directors. The first Directors of the Amalgamated Corporation shall be the following persons:

Jerome Cotter Byrne	Apt. 801, 616 Avenue Road Toronto, Ontario
Robert Howarth Byrne	4 Kentish Crescent Agincourt, Ontario

David Robert Crombie	139 Lytton Boulevard Toronto, Ontario
Gladys Edith O'Shaughnessy	Apt. 217, 200 Ridley Boulevard Toronto, Ontario
Walter Steuerman	158 Chelmsford Avenue Willowdale, Ontario

who shall hold office until the first annual meeting of the Amalgamated Corporation or until their successors are elected or appointed. The election of subsequent Directors and the management, working and control of the Amalgamated Corporation shall be in accordance with the provisions of the by-laws of the Amalgamated Corporation and the Act.

13. **Contribution of Assets**

Each of the parties hereto shall contribute to the Amalgamated Corporation all its assets subject to all its liabilities as such existing prior to the date of Amalgamation.

14. **Filing of Articles of Amalgamation**

Following the adoption of this agreement by the shareholders of each of the parties hereto in accordance with the provisions of section 196 of the Act, the parties hereto shall jointly file Articles of Amalgamation with the Minister for the purpose of bringing the Amalgamation into effect.

15. **Effectiveness of Amalgamation**

Upon the date set forth in the Certificate of Amalgamation issued by the Minister, the Amalgamation provided for in this agreement will become effective and the amalgamating corporations will be amalgamated and continue as one corporation under the terms and conditions prescribed in this agreement.

16. **Property of Amalgamated Corporation**

The Amalgamated Corporation shall possess all the property, rights, privileges and franchises and is subject to all liabilities, contracts, disabilities and debts of each of the amalgamating corporations.

17. **Amendment of Articles of each Amalgamating Corporation**

The Articles of Incorporation of each of the amalgamating corporations shall be amended to the extent necessary to give effect to the terms and conditions of this agreement.

IN WITNESS WHEREOF this agreement has been duly executed by the parties hereto under the hands of their respective officers in that behalf.

PYX EXPLORATIONS LTD.

Directors' Report to the Shareholders:

HIGHLIGHTS

- Norita Quebec Mines to receive $5,000,000 through sale of 25% net profits interest and royalty.
- Purchase of controlling interest in Amagami Mines, which company holds 31% of Norita Quebec Mines.
- Proposed amalgamation of Norita Quebec Mines and Amagami Mines with Pyx.
- Pyx shares listed on Vancouver Stock Exchange and new financing completed.
- Participation in two new oil and gas exploration ventures.

Norita Quebec Mines Limited, 54% owned by Pyx, has recently completed negotiations with Noranda Mines Limited for the sale of Norita's 25% net profits interest in the Norita division of Noranda. The sale price is $4,800,000, payable as to $400,000 this year, as to $1,000,000 in each of the next three years, and the balance of $1,400,000 in 1984. Norita will also receive $200,000 under its royalty agreement of 25¢ per ton for the initial 2,000,000 tons milled. In addition Norita will have the right to receive $1.00 per ton of ore mined and milled after January 1, 1980 in excess of 3 1/2 million dry short tons.

Pyx has purchased the controlling interest (61%) in Amagami Mines Limited for $385,137 cash. Amagami holds 31% of Norita. This purchase enabled the entering into of an agreement, subject to shareholder approval, providing for the amalgamation of Pyx, Amagami and Norita. If the amalgamation is approved by the Pyx shareholders, Pyx will directly receive all of the $5,000,000 proceeds of the sale described above. On the amalgamation of the three companies each Pyx shareholder will retain his present Pyx shares and 745,004 shares will be issued to the minority shareholders of Norita and Amagami. The proceeds from the sale to Noranda will be used by the amalgamated company to increase substantially its program of acquisition of oil and natural gas properties through the incurring of exploration and development expenditures.

The proposed amalgamation is described in detail in the information circular accompanying this annual report.

The Norita Mine was placed into production at 900 tons per day in May, 1976 by Orchan Mines Limited, which company was amalgamated into Noranda in January, 1979. Initial production came from zinc-copper ore zones. In 1978 a copper-zinc orebody, the A Zone, was discovered at depth and Noranda is

now developing this orebody for production. During 1979, access ramps and sublevels were driven, and shaft deepening commenced in November. The shaft will be deepended to 2,400 feet below surface and an underground crusher installed near the shaft bottom. At 2,300 feet exploration drifts will be driven west and east. Proven and indicated reserves reported by Noranda at December 31, 1979 were 3,500,000 tons. Diamond drilling has substantially defined the A Zone limits, although there is some possibility of extension at the lower east end.

Noranda's unrecouped preproduction and development costs totalled about $7,650,000 at year end. The shaft deepening, lateral development, ore passes, crusher, etc., will add substantially to these costs, all of which must be recouped with interest by Noranda before the 25% net profits royalty would have become payable. A detailed evaluation of the Norita Mine using current metal prices with no escalation of operating costs and no escalation of smelting and refining charges indicated that Pyx could not expect initial revenue from the 25% net profits interest before mid-1982.

Pyx also holds a 20% net profits interest in a 37-claim property adjoining the west boundary of the Norita Mine. Extensive diamond drilling in the past located widespread low grade copper mineralization over a strike length of 5,000 feet. Further exploration is planned for this property which is now controlled by Noranda.

OIL AND GAS

In 1979 Pyx financed a 3.43% net interest in the Renaissance Resources joint venture. Of the 35 wells drilled, there were 13 indicated gas wells and one oil well.

Pyx has committed to two new oil and gas joint ventures. One is with Viking Oil & Gas Ltd. The objective is acreage acquisitions in central and northern Alberta. The second venture to which Pyx is committing $200,000 is the Sawtooth Project which will explore for oil in southern Alberta.

FINANCIAL

In October, 1979, following listing of Pyx's shares on the Vancouver Stock Exchange, a successful financing provided $540,000. Pyx's working capital at December 31, 1979 amounted to $592,000. The accompanying financial statements are for a 17-month period as the financial year end has been changed from July 31st to December 31st.

On behalf of the Board,

J.C. BYRNE
President

Toronto, Ontario
May 6, 1980

PYX EXPLORATIONS LTD.

OIL AND GAS EXPLORATION

RENAISSANCE 1979 JOINT VENTURE

Pyx has contributed $150,000 to earn a 3.4305% net interest in an oil and gas exploration program managed by Renaissance Resources Limited of Calgary. In 1979 the joint venture participated in drilling 35 wells which resulted in 13 gas wells, one oil well and 21 dry holes. An additional ten wells are scheduled to be drilled in early 1980. Most of the drilling was in southern Alberta although several wells were drilled in northern Alberta and northeastern British Columbia. Pyx's share of reserves to date amounts to approximately 235.8 MMCF gas plus liquid equivalent and 0.24 MSTB oil. One gas well is being placed on stream in January 1980. Five more have sales contracts and are scheduled to be on production in November 1980.

VIKING-RAYROCK LANDBANK

Pyx is paying 15% to earn a 12% net interest in a program to acquire lands prospective for oil and/or natural gas in north central Alberta for exploration drilling or farming out. The joint venture is managed by Viking Oil & Gas Ltd. of Edmonton, a company with many years of experience in this region. To date interests in two parcels of land totalling 8,320 acres have been acquired.

SAWTOOTH JOINT VENTURE

Late in 1979 Pyx agreed to participate in a two-year program exploring for oil in southern Alberta. The project, with a total budget of $10 million, is managed by Consolidated Morrison Explorations Ltd. of Calgary. Pyx will contribute $200,000 to earn a net 1.5% interest. The principal partners are Consolidated Morrison, Signalta Resources Limited, Dynamar Energy Resources Ltd. and Rayrock Resources Limited.

SIGNALTA FERINTOSH PROJECT

Norita Quebec Mines Limited (Pyx 54.4%) is paying 11.25% of a farm-in on acreage in central Alberta. Three commitment wells earn 9,600 acres and three option wells can, if drilled, earn an additional 3,200 acres per well. Norita will have a 9.28% interest before payout and, if the farmors convert their overriding royalty, 4.64% after payout. One well had been drilled by year end. Natural gas flowed at the rate of 200 MCFD on a drill stem test.

If the proposed amalgamation takes place, Pyx will own 100% of Norita's interest directly.

OTHER MINERAL PROPERTIES

ISLE DIEU TOWNSHIP, QUEBEC

A 20% net profits royalty interest is held in a 37 claim property that adjoins the west boundary of the Norita Mine. Noranda Explorations Limited controls the property and has commenced an extensive program to trace and explore the extensions of the geological horizons which host the ore at Norita. Widespread low grade copper mineralization is known to exist on this claim group.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

OFFICES THROUGHOUT CANADA
AND IN PRINCIPAL AREAS
OF THE WORLD

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February 1, 1980

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Pyx Explorations Ltd. as at December 31, 1979 and the consolidated statements of earnings, deficit and changes in financial position for the seventeen months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the seventeen months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

PYX EXPLORATIONS LTD.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1979

A S S E T S

	December 31, 1979 $	July 31, 1978 $
CURRENT ASSETS		
Cash	585,843	31,149
Accounts receivable	11,505	3,137
	597,348	34,286
DUE FROM NORANDA MINES LIMITED (note 2)	222,339	323,989
LONG-TERM INVESTMENTS (notes 1(b) and 3)	186,392	59,157
MINING PROPERTIES - at cost, less amounts written off (note 4)	36,714	36,715
PETROLEUM AND NATURAL GAS LEASES - at cost, less accumulated amortization of nil (1978 - $6,631) (notes 1(d) and 5)	270,516	26,197
DEFERRED EXPLORATION AND DEVELOPMENT (notes 1(c) and 4)	97,213	96,842
FIXED ASSETS - at cost, less accumulated depreciation of $3,693 (1978 - $1,825) (note 1(e))	5,898	7,300
	1,416,420	584,486

L I A B I L I T I E S

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	4,200	2,350
Due to Rayrock Resources Limited	1,000	32,150
Income taxes payable (note 1(f))	-	7,536
	5,200	42,036
DEFERRED INCOME TAXES (note 1(f))	83,820	85,263
MINORITY INTEREST IN SUBSIDIARY COMPANY	130,186	134,019
	219,206	261,318

S H A R E H O L D E R S' E Q U I T Y

CAPITAL STOCK		
Authorized - 5,000,000 common shares of no par value		
Issued - 3,077,551 common shares (1978 - 1,777,551 shares) (note 7)	2,581,582	1,672,382
CONTRIBUTED SURPLUS	80,680	80,680
DEFICIT	(1,465,048)	(1,429,894)
	1,197,214	323,168
	1,416,420	584,486

SIGNED ON BEHALF OF THE BOARD

Director

Director

COOPERS & LYBRAND

PYX EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE SEVENTEEN MONTHS ENDED DECEMBER 31, 1979

	Seventeen months ended December 31, 1979 $	Year ended July 31, 1978 $
BALANCE - BEGINNING OF PERIOD	1,429,894	1,387,732
Net (earnings) loss for the period	(44,150)	42,162
Share issue expenses	79,304	-
BALANCE - END OF PERIOD	1,465,048	1,429,894

PYX EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE SEVENTEEN MONTHS ENDED DECEMBER 31, 1979

	Seventeen months ended December 31, 1979 $	Year ended July 31, 1978 $
INCOME		
Revenue from petroleum operations	5,892	13,460
Interest and dividend income	33,796	738
Gain (loss) on disposal of investments	31,626	(3,984)
Gain on disposal of petroleum and natural gas lease	40,112	-
	111,426	10,214
EXPENSE		
Cost of petroleum production	2,847	3,930
Depreciation and amortization	3,448	6,161
General and administrative	60,598	37,788
General exploration	10,300	10,150
	77,193	58,029
EARNINGS (LOSS) FROM OPERATIONS	34,233	(47,815)
MINING PROPERTY WRITTEN OFF	1	3,870
EARNINGS (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEM	34,232	(51,685)
INCOME TAXES (note 8)		
Current	(4,642)	13,275
Deferred	13,871	(22,032)
	9,229	(8,757)
NET EARNINGS (LOSS) BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEM	25,003	(42,928)
MINORITY INTEREST IN LOSS OF SUBSIDIARY COMPANY	3,833	766
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	28,836	(42,162)
EXTRAORDINARY ITEM		
Income tax reduction on carry-forward of losses	15,314	-
NET EARNINGS (LOSS) FOR THE PERIOD	44,150	(42,162)
EARNINGS (LOSS) PER SHARE BEFORE EXTRAORDINARY ITEM	$0.01	($0.02)
EARNINGS (LOSS) PER SHARE FOR THE PERIOD	$0.02	($0.02)

PYX EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE SEVENTEEN MONTHS ENDED DECEMBER 31, 1979

	Seventeen months ended December 31, 1979 $	Year ended July 31, 1978 $
SOURCE OF WORKING CAPITAL		
Current operations -		
Net earnings (loss) before extraordinary item	28,836	(42,162)
Add (deduct) items not affecting working capital -		
Depreciation and amortization	3,448	6,161
Mining property written off	1	3,870
Minority interest	(3,833)	(766)
Deferred taxes	13,871	(22,032)
(Gain) loss on disposal of investments	(31,626)	3,984
(Gain) on disposal of petroleum and natural gas lease	(40,112)	-
	(58,251)	(8,783)
Used in operations	(29,415)	(50,945)
Issue of treasury shares	909,200	-
Reduction of amount due from Noranda Mines Limited	101,650	74,860
Proceeds on sale of investments	204,816	14,954
Proceeds on sale of petroleum and natural gas lease	65,000	-
Recovery of exploration expenses	-	4,425
	1,251,251	43,294
USE OF WORKING CAPITAL		
Expenditure on petroleum and natural gas leases	270,516	(333)
Exploration expenses deferred	371	-
Purchase of fixed assets	736	-
Investments and advances	300,426	-
Dividends paid by subsidiary to minority shareholders	-	20,249
Share issue expenses	79,304	-
	651,353	19,916
INCREASE IN WORKING CAPITAL	599,898	23,378
WORKING CAPITAL (DEFICIENCY) - BEGINNING OF PERIOD	(7,750)	(31,128)
WORKING CAPITAL (DEFICIENCY) - END OF PERIOD	592,148	(7,750)

PYX EXPLORATIONS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SEVENTEEN MONTHS ENDED DECEMBER 31, 1979

1. ACCOUNTING POLICIES

The accounting policies of the company are in accordance with generally accepted accounting principles. Those policies considered particularly significant are outlined below:

(a) Basis of consolidation

The consolidated financial statements include the accounts of its subsidiary, Norita Quebec Mines Limited (54.4% owned).

(b) Long-term investments

Investments are written down when there is evidence of a decline in their inherent worth below their carried value.

(c) Deferred exploration and development expenses

Exploration and development expenses relating to mining properties are deferred until the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are abandoned or sold, at which time the deferred expenses are written off.

(d) Amortization of petroleum and natural gas leases

Amortization is charged on the unit of production basis calculated on the unamortized balance at the beginning of the period.

(e) Fixed assets and depreciation

Fixed assets are valued at acquisition cost less accumulated depreciation. Depreciation is provided for on a 20% to 30% declining balance basis.

(f) Income taxes

The company and its subsidiary follow the tax allocation method of accounting whereby the provision for income taxes is based on income reported in the accounts.

2. DUE FROM NORANDA MINES LIMITED (NORANDA)

This amount is payable by Noranda on a quarterly basis to a subsidiary, Norita Quebec Mines Limited (Norita) at the rate of $0.25 per ton of ore mined and milled from the former Norita property. This property has been put into production and the sale of the property to Noranda was recognized in the accounts in 1975.

PYX EXPLORATIONS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SEVENTEEN MONTHS ENDED DECEMBER 31, 1979

3. LONG-TERM INVESTMENTS

	December 31, 1979 $	July 31, 1978 $
Investment in shares of Rayrock Resources Limited - at cost (quoted market value 1979 - $183,090; 1978 - $51,620)	150,789	53,552
Investment in other mining companies - at cost (quoted market value 1979 - $26,619; 1978 - $5,600)	5,600	5,600
Unlisted shares and debentures - at nominal value	3	5
Advances to officers, directors and employees under stock purchase plan	30,000	-
	186,392	59,157

4. VALUES

The company has carried out exploration and development work on its mining properties and has not determined whether these properties contain ore reserves that are economically recoverable. The company is not presently carrying on active exploration. The recoverability of the amounts shown for mining properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development, and upon future profitable production.

5. PETROLEUM AND NATURAL GAS LEASES

The corporation disposed of its 20% interest in a petroleum and natural gas lease during the period. The corporation and its subsidiary have entered into several petroleum and natural gas ventures in Alberta.

6. FISCAL YEAR-END

The corporation has changed its fiscal year-end from July 31 to December 31. As a result, the consolidated statement of income, deficit and changes in financial position cover the period from August 1, 1978 to December 31, 1979.

PYX EXPLORATIONS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SEVENTEEN MONTHS ENDED DECEMBER 31, 1979

7. CAPITAL STOCK

During the period, the corporation issued the following treasury shares for cash:

	Shares	Cash $
By private sale and placement	300,000	109,200
By public sale and underwriting	1,000,000	800,000
	1,300,000	909,200

8. INCOME TAXES

The company has approximately $28,000 of tax loss carry-forwards expiring in 1983, the benefit of which has not been reflected in the accounts.

9. STATUTORY INFORMATION

(a) No remuneration was directly paid or payable by the company to the directors and senior officers for the period ended December 31, 1979 (year ended July 31, 1978 - nil).

(b) Rayrock Resources Limited pays substantially all of the remuneration of directors and senior officers as well as rent and other joint costs (including general exploration) of the corporation and other associated corporations and is reimbursed by these corporations for their proportionate share thereof. The amount paid during the period by the corporation and its subsidiary in respect of these charges was $45,800 (year ended July 31, 1978 - $31,300).